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Message Text

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11
ACTION EA-14

INFO OCT-01 ISO-00 SS-20 EB-11 SWF-02 AGR-20 NSC-07 NSCE-00

COME-00 RSC-01 DRC-01 /077 W
---------- 016503
R 030345Z MAY 74
FM USLO PEKING
TO SECSTATE WASHDC 1728
INFO AMCONSUL HONG KONG

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E.O. 11652: N/A
TAGS: ETRD, EAGR, CH, US
SUBJECT: TCK WHEAT SMUT PROBLEM

REF: A) PEKING 699; B) PEKING 711

SUMMARY: THE BUNGE CORPORATION, LIKE OTHER SHIPPERS OF US WHEAT TO CHINA, HAVE REACHED AN IMPASSE IN DISCUSSIONS WITH THE CHINESE OVER TCK WHEAT SMUT. BUNGE IS RELUCTANT TO BEGIN SHIPMENTS OF 500,000 TONS NOW UNDER CONTRACT IN THE FACE OF THE CHINESE DECISION TO REJECT ANY CARGO WITH EVIDENCE OF TCK. END SUMMARY.

1. H.S. HUKINS AND D.B. KAUFMANN, VICE PRESIDENTS FROM THE NEW YORK OFFICE OF BUNGE CORPORATION, CALLED AT USLO MAY 2 TO REPORT ON THEIR DISCUSSIONS WITH THE CHINA NATIONAL CEREALS, OILS AND FOODSTUFFS IMPORT AND EXPORT CORPORATION (CEROILFOOD) REGARDING TCK WHEAT SMUT. BUNGE DELIVERED 300,000 TONS OF US WHEAT TO CHINA LAST YEAR ON 11 SHIPS OUT OF THE US GULF COAST. TCK WAS FOUND BY THE CHINESE ON TWO OF THE VESSELS AND THOSE CARGOES WERE STERILIZED.

2. BUNGE HAS A CONTRACT TO SHIP 500,000 TONS OF US WHEAT WITH DELIVERIES TO BEGIN IN JULY. AS IN THE CASE OF COOK (REFTELS), BUNGE ESTIMATES A ONE AND ONE-HALF MILLION DOLLAR LOSS FOR EACH SHIP THE CHINESE MAY REJECT AND THE COMPANY REPS CAME TO
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PEKING IN THE HOPE OF FINDING SOME WAY TO AVOID THIS POSSIBILITY.

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THEY PROPOSED THAT IN EXCHANGE FOR A CHINESE GUARANTEE OF NON-REJECTI
ON
(I.E. ANY TCK INFECTED CARGOES WOULD BE STERILIZED), BUNGE WOULD
GUARANTEE THAT ALL ITS SHIPMENTS WOULD COME FROM THE US GULF COAST
WHERE THE LIKELIHOOD OF TCK OCCURANCE WOULD BE MINIMAL. CEROILFOOD
REJECTECTED THIS PROPOSAL AND AFTER A WEEK OF DISCUSSIONS NO
SOLUTION IS IN SIGHT. THE BUNGE OFFICIALS DESCRIBE THE
CHINESE POSITION AS RIGID; I.E. THEY WILL REJECT ANY CARGO WITH
EVEN THE SLIGHTEST EVIDENCE OF TCK BUT EXPECT THE GRAIN COMPANIES
TO MAKE DELIVERIES IN ACCORDANCE WITH CONTRACTS.

3. HUKINS AND KAUFMANN, LIKE THE OFFICIALS OF COOK INDUSTRIES,
BELIEVE THAT DREYFUS AND CARGILL, EVEN AFTER THE VISIT OF
DR. HOFFMAN TO PEKING LAST OCTOBER, CONTINUED TO SHIP WHEAT FROM
WEST COAST PORTS, AND THAT THE HIGH INCIDENCE OF TCK FOUND
IN THESE CARGOES CAUSED THE CURRENT DIFFICULTIES. THEY ARE
ALSO OF THE OPINION THAT THE CURRENT ANTI-LIN PIAO ANTI-CONFUCIUS
CAMPAIGN IS A FACTOR BEHIND THE INFLEXIBLE CHINESE STAND. THEY
DESCRIBE ONE OF THE CHINESE (NOT THE PRINCIPAL NEGOTIATOR)
PARTICIPATING IN THEIR TALKS AS A "POLITICAL COMMISSAR TYPE" WHO
PROVIDES STERN LECTURES AT APPROPRIATE POINTS IN THE DISCUSSIONS.

4. THE BUNGE REPS, WHO PLAN TO REMAIN IN PEKING UNTIL THE MIDDLE
OF NEXT WEEK, SAY THEIR COMPANY HAS NOT DECIDED ITS NEXT STEP.
THEY ARE NOT AT ALL HOPEFUL ABOUT THE OUTCOME OF THE FORTHCOMING
CARGILL AND DREYFUS DELEGATION WHICH, THE CHINESE HAVE TOLD
THEM, WILL INCLUDE TWO USDA REPS.

5. IN ADDITION TO INFORMATION CONVEYED REFTELS, THE OFFICIALS
OF COOK INDUSTRIES HAVE PROVIDED USLO WITH THE FOLLOWING
FIGURES, COLLECTED BY THEIR COMPANY, ON TCK IN WHEAT SHIPMENTS
SINCE EARLY 1973: TCK WAS FOUND IN 17 OF 25 CARGILL SHIPMENTS; 11 OUT
OF AN ESTIMATED 45 DREYFUS VESSELS; TWO OUT OF 11 BUNGE VESSELS;
AND ONE OUT OF 33 COOK SHIPMENTS. THUS, ACCORDING TO COOK'S FIGURES,
TCK WAS FOUND IN 31 OUT OF A TOTAL OF ABOUT 114 SHIPMENTS. THEY
POINT OUT THAT NONE OF THE COOK OR BUNGE SHIPMENTS WERE OUT OF
THE US WEST COAST. (EXCEPT FOR TWO VESSELS FROM THE ST LAWRENCE,

INCLUDING THE ONE WITH TCK, ALL THE COOK SHIPMENTS HAVE BEEN OUT
OF THE GULF. THE 34TH COOK SHIPMENT, ALSO FROM THE GULF,
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ARRIVED IN CHINA THIS WEEK BUT THERE IS NO REPORT FROM THE
CHINESE YET ON TCK.) THEY ALSO EXPLAINED THAT THE 17 SHIPS WITH
TCK THEY PREVIOUSLY MENTIONED (PARA 5, REFTEL A) REFERRED TO
INFORMATION THE CHINESE GAVE THEM ON ARRIVALS IN SHANGHAI.
BRUCE

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Message Attributes

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